

HOUSE BILL No. 1608

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5; IC 6-3-1-36.

Synopsis: Deduction for investment interest. Allows an individual to subtract investment interest payments in the calculation of the individual's Indiana adjusted gross income if the investment interest payments are: (1) made with respect to tangible property held for investment in Indiana; and (2) deducted from federal adjusted gross income for federal income tax purposes.

Effective: January 1, 2015 (retroactive).

Smaltz, Slager

January 20, 2015, read first time and referred to Committee on Ways and Means.



First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

HOUSE BILL No. 1608

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.205-2013,
2 SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2015 (RETROACTIVE)]: Sec. 3.5. When used in this
4 article, the term "adjusted gross income" shall mean the following:
5 (a) In the case of all individuals, "adjusted gross income" (as
6 defined in Section 62 of the Internal Revenue Code), modified as
7 follows:
8 (1) Subtract income that is exempt from taxation under this article
9 by the Constitution and statutes of the United States.
10 (2) Add an amount equal to any deduction or deductions allowed
11 or allowable pursuant to Section 62 of the Internal Revenue Code
12 for taxes based on or measured by income and levied at the state
13 level by any state of the United States.
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a
15 joint return filed by a husband and wife, subtract for each spouse



one thousand dollars (\$1,000).

(4) Subtract one thousand dollars (\$1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code (as effective January 1, 2004); and

(B) five hundred dollars (\$500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars (\$40,000).

This amount is in addition to the amount subtracted under subdivision (4).

(6) Subtract an amount equal to the lesser of:

(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or

(B) two thousand dollars (\$2,000).

(7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.

(8) Subtract any amounts included in federal adjusted gross income under Section 111 of the Internal Revenue Code as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

(9) Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under



- 1 subdivision (1).
2 (10) Subtract an amount equal to the amount of federal Social
3 Security and Railroad Retirement benefits included in a taxpayer's
4 federal gross income by Section 86 of the Internal Revenue Code.
5 (11) In the case of a nonresident taxpayer or a resident taxpayer
6 residing in Indiana for a period of less than the taxpayer's entire
7 taxable year, the total amount of the deductions allowed pursuant
8 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
9 which bears the same ratio to the total as the taxpayer's income
10 taxable in Indiana bears to the taxpayer's total income.
11 (12) In the case of an individual who is a recipient of assistance
12 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
13 subtract an amount equal to that portion of the individual's
14 adjusted gross income with respect to which the individual is not
15 allowed under federal law to retain an amount to pay state and
16 local income taxes.
17 (13) In the case of an eligible individual, subtract the amount of
18 a Holocaust victim's settlement payment included in the
19 individual's federal adjusted gross income.
20 (14) Subtract an amount equal to the portion of any premiums
21 paid during the taxable year by the taxpayer for a qualified long
22 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
23 or the taxpayer's spouse, or both.
24 (15) Subtract an amount equal to the lesser of:
25 (A) two thousand five hundred dollars (\$2,500); or
26 (B) the amount of property taxes that are paid during the
27 taxable year in Indiana by the individual on the individual's
28 principal place of residence.
29 (16) Subtract an amount equal to the amount of a September 11
30 terrorist attack settlement payment included in the individual's
31 federal adjusted gross income.
32 (17) Add or subtract the amount necessary to make the adjusted
33 gross income of any taxpayer that owns property for which bonus
34 depreciation was allowed in the current taxable year or in an
35 earlier taxable year equal to the amount of adjusted gross income
36 that would have been computed had an election not been made
37 under Section 168(k) of the Internal Revenue Code to apply bonus
38 depreciation to the property in the year that it was placed in
39 service.
40 (18) Add an amount equal to any deduction allowed under
41 Section 172 of the Internal Revenue Code.
42 (19) Add or subtract the amount necessary to make the adjusted



gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(20) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(21) Subtract an amount equal to the amount of the taxpayer's qualified military income that was not excluded from the taxpayer's gross income for federal income tax purposes under Section 112 of the Internal Revenue Code.

(22) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the individual's federal adjusted gross income under the Internal Revenue Code.

(23) Subtract any amount of a credit (including an advance refund of the credit) that is provided to an individual under 26 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and included in the individual's federal adjusted gross income.

(24) Add any amount of unemployment compensation excluded from federal gross income, as defined in Section 61 of the Internal Revenue Code, under Section 85(c) of the Internal Revenue Code.

(25) Add the amount excluded from gross income under Section 108(a)(1)(e) of the Internal Revenue Code for the discharge of debt on a qualified principal residence.

(26) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract the amount necessary from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1,



2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

(27) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.

(28) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(29) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(30) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

(31) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

(32) This subdivision does not apply to payments made for services provided to a business that was enrolled and participated in the E-Verify program (as defined in IC 22-5-1.7-3) during the



time the taxpayer conducted business in Indiana in the taxable year. For a taxable year beginning after June 30, 2011, add the amount of any trade or business deduction allowed under the Internal Revenue Code for wages, reimbursements, or other payments made for services provided in Indiana by an individual for services as an employee, if the individual was, during the period of service, prohibited from being hired as an employee under 8 U.S.C. 1324a.

(33) For a taxable year beginning after December 31, 2014, subtract the amount of Indiana investment interest payments that a taxpayer claimed as a deduction for the taxable year under Section 163 of the Internal Revenue Code in determining the taxpayer's taxable income under Section 63 of the Internal Revenue Code for federal income tax purposes.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service



in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) Add to the extent required by IC 6-3-2-20 the amount of intangible expenses (as defined in IC 6-3-2-20) and any directly related intangible interest expenses (as defined in IC 6-3-2-20) for the taxable year that reduced the corporation's taxable income (as defined in Section 63 of the Internal Revenue Code) for federal income tax purposes.

(10) Add an amount equal to any deduction for dividends paid (as defined in Section 561 of the Internal Revenue Code) to shareholders of a captive real estate investment trust (as defined in section 34.5 of this chapter).

(11) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the corporation's taxable income under the Internal Revenue Code.

(12) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

(13) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross



1 income that would have been computed had the special allowance
2 not been claimed for the property.

3 (14) Add or subtract the amount necessary to make the adjusted
4 gross income of any taxpayer that made an election under Section
5 179C of the Internal Revenue Code to expense costs for qualified
6 refinery property equal to the amount of adjusted gross income
7 that would have been computed had an election for federal
8 income tax purposes not been made for the year.

9 (15) Add or subtract the amount necessary to make the adjusted
10 gross income of any taxpayer that made an election under Section
11 181 of the Internal Revenue Code to expense costs for a qualified
12 film or television production equal to the amount of adjusted
13 gross income that would have been computed had an election for
14 federal income tax purposes not been made for the year.

15 (16) Add or subtract the amount necessary to make the adjusted
16 gross income of any taxpayer that treated a loss from the sale or
17 exchange of preferred stock in:

18 (A) the Federal National Mortgage Association, established
19 under the Federal National Mortgage Association Charter Act
20 (12 U.S.C. 1716 et seq.); or

21 (B) the Federal Home Loan Mortgage Corporation, established
22 under the Federal Home Loan Mortgage Corporation Act (12
23 U.S.C. 1451 et seq.);

24 as an ordinary loss under Section 301 of the Emergency
25 Economic Stabilization Act of 2008 in the current taxable year or
26 in an earlier taxable year equal to the amount of adjusted gross
27 income that would have been computed had the loss not been
28 treated as an ordinary loss.

29 (17) This subdivision does not apply to payments made for
30 services provided to a business that was enrolled and participated
31 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
32 time the taxpayer conducted business in Indiana in the taxable
33 year. For a taxable year beginning after June 30, 2011, add the
34 amount of any trade or business deduction allowed under the
35 Internal Revenue Code for wages, reimbursements, or other
36 payments made for services provided in Indiana by an individual
37 for services as an employee, if the individual was, during the
38 period of service, prohibited from being hired as an employee
39 under 8 U.S.C. 1324a.

40 (18) Add the amount excluded from federal gross income under
41 Section 103 of the Internal Revenue Code for interest received on
42 an obligation of a state other than Indiana, or a political



- 1 subdivision of such a state, that is acquired by the taxpayer after
2 December 31, 2011.
- 3 (c) In the case of life insurance companies (as defined in Section
4 816(a) of the Internal Revenue Code) that are organized under Indiana
5 law, the same as "life insurance company taxable income" (as defined
6 in Section 801 of the Internal Revenue Code), adjusted as follows:
- 7 (1) Subtract income that is exempt from taxation under this article
8 by the Constitution and statutes of the United States.
- 9 (2) Add an amount equal to any deduction allowed or allowable
10 under Section 170 of the Internal Revenue Code.
- 11 (3) Add an amount equal to a deduction allowed or allowable
12 under Section 805 or Section 831(c) of the Internal Revenue Code
13 for taxes based on or measured by income and levied at the state
14 level by any state.
- 15 (4) Subtract an amount equal to the amount included in the
16 company's taxable income under Section 78 of the Internal
17 Revenue Code.
- 18 (5) Add or subtract the amount necessary to make the adjusted
19 gross income of any taxpayer that owns property for which bonus
20 depreciation was allowed in the current taxable year or in an
21 earlier taxable year equal to the amount of adjusted gross income
22 that would have been computed had an election not been made
23 under Section 168(k) of the Internal Revenue Code to apply bonus
24 depreciation to the property in the year that it was placed in
25 service.
- 26 (6) Add an amount equal to any deduction allowed under Section
27 172 or Section 810 of the Internal Revenue Code.
- 28 (7) Add or subtract the amount necessary to make the adjusted
29 gross income of any taxpayer that placed Section 179 property (as
30 defined in Section 179 of the Internal Revenue Code) in service
31 in the current taxable year or in an earlier taxable year equal to
32 the amount of adjusted gross income that would have been
33 computed had an election for federal income tax purposes not
34 been made for the year in which the property was placed in
35 service to take deductions under Section 179 of the Internal
36 Revenue Code in a total amount exceeding twenty-five thousand
37 dollars (\$25,000).
- 38 (8) Add an amount equal to the amount that a taxpayer claimed as
39 a deduction for domestic production activities for the taxable year
40 under Section 199 of the Internal Revenue Code for federal
41 income tax purposes.
- 42 (9) Subtract income that is:



- 1 (A) exempt from taxation under IC 6-3-2-21.7; and
- 2 (B) included in the insurance company's taxable income under
- 3 the Internal Revenue Code.
- 4 (10) Add an amount equal to any income not included in gross
- 5 income as a result of the deferral of income arising from business
- 6 indebtedness discharged in connection with the reacquisition after
- 7 December 31, 2008, and before January 1, 2011, of an applicable
- 8 debt instrument, as provided in Section 108(i) of the Internal
- 9 Revenue Code. Subtract from the adjusted gross income of any
- 10 taxpayer that added an amount to adjusted gross income in a
- 11 previous year the amount necessary to offset the amount included
- 12 in federal gross income as a result of the deferral of income
- 13 arising from business indebtedness discharged in connection with
- 14 the reacquisition after December 31, 2008, and before January 1,
- 15 2011, of an applicable debt instrument, as provided in Section
- 16 108(i) of the Internal Revenue Code.
- 17 (11) Add or subtract the amount necessary to make the adjusted
- 18 gross income of any taxpayer that claimed the special allowance
- 19 for qualified disaster assistance property under Section 168(n) of
- 20 the Internal Revenue Code equal to the amount of adjusted gross
- 21 income that would have been computed had the special allowance
- 22 not been claimed for the property.
- 23 (12) Add or subtract the amount necessary to make the adjusted
- 24 gross income of any taxpayer that made an election under Section
- 25 179C of the Internal Revenue Code to expense costs for qualified
- 26 refinery property equal to the amount of adjusted gross income
- 27 that would have been computed had an election for federal
- 28 income tax purposes not been made for the year.
- 29 (13) Add or subtract the amount necessary to make the adjusted
- 30 gross income of any taxpayer that made an election under Section
- 31 181 of the Internal Revenue Code to expense costs for a qualified
- 32 film or television production equal to the amount of adjusted
- 33 gross income that would have been computed had an election for
- 34 federal income tax purposes not been made for the year.
- 35 (14) Add or subtract the amount necessary to make the adjusted
- 36 gross income of any taxpayer that treated a loss from the sale or
- 37 exchange of preferred stock in:
- 38 (A) the Federal National Mortgage Association, established
- 39 under the Federal National Mortgage Association Charter Act
- 40 (12 U.S.C. 1716 et seq.); or
- 41 (B) the Federal Home Loan Mortgage Corporation, established
- 42 under the Federal Home Loan Mortgage Corporation Act (12



- 1 U.S.C. 1451 et seq.);
- 2 as an ordinary loss under Section 301 of the Emergency
- 3 Economic Stabilization Act of 2008 in the current taxable year or
- 4 in an earlier taxable year equal to the amount of adjusted gross
- 5 income that would have been computed had the loss not been
- 6 treated as an ordinary loss.
- 7 (15) Add an amount equal to any exempt insurance income under
- 8 Section 953(e) of the Internal Revenue Code that is active
- 9 financing income under Subpart F of Subtitle A, Chapter 1,
- 10 Subchapter N of the Internal Revenue Code.
- 11 (16) This subdivision does not apply to payments made for
- 12 services provided to a business that was enrolled and participated
- 13 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
- 14 time the taxpayer conducted business in Indiana in the taxable
- 15 year. For a taxable year beginning after June 30, 2011, add the
- 16 amount of any trade or business deduction allowed under the
- 17 Internal Revenue Code for wages, reimbursements, or other
- 18 payments made for services provided in Indiana by an individual
- 19 for services as an employee, if the individual was, during the
- 20 period of service, prohibited from being hired as an employee
- 21 under 8 U.S.C. 1324a.
- 22 (17) Add the amount excluded from federal gross income under
- 23 Section 103 of the Internal Revenue Code for interest received on
- 24 an obligation of a state other than Indiana, or a political
- 25 subdivision of such a state, that is acquired by the taxpayer after
- 26 December 31, 2011.
- 27 (d) In the case of insurance companies subject to tax under Section
- 28 831 of the Internal Revenue Code and organized under Indiana law, the
- 29 same as "taxable income" (as defined in Section 832 of the Internal
- 30 Revenue Code), adjusted as follows:
- 31 (1) Subtract income that is exempt from taxation under this article
- 32 by the Constitution and statutes of the United States.
- 33 (2) Add an amount equal to any deduction allowed or allowable
- 34 under Section 170 of the Internal Revenue Code.
- 35 (3) Add an amount equal to a deduction allowed or allowable
- 36 under Section 805 or Section 831(c) of the Internal Revenue Code
- 37 for taxes based on or measured by income and levied at the state
- 38 level by any state.
- 39 (4) Subtract an amount equal to the amount included in the
- 40 company's taxable income under Section 78 of the Internal
- 41 Revenue Code.
- 42 (5) Add or subtract the amount necessary to make the adjusted



gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the insurance company's taxable income under the Internal Revenue Code.

(10) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

(11) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance



for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.

(12) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(13) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(14) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

(15) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

(16) This subdivision does not apply to payments made for services provided to a business that was enrolled and participated in the E-Verify program (as defined in IC 22-5-1.7-3) during the time the taxpayer conducted business in Indiana in the taxable year. For a taxable year beginning after June 30, 2011, add the amount of any trade or business deduction allowed under the Internal Revenue Code for wages, reimbursements, or other payments made for services provided in Indiana by an individual



1 for services as an employee, if the individual was, during the
 2 period of service, prohibited from being hired as an employee
 3 under 8 U.S.C. 1324a.

4 (17) Add the amount excluded from federal gross income under
 5 Section 103 of the Internal Revenue Code for interest received on
 6 an obligation of a state other than Indiana, or a political
 7 subdivision of such a state, that is acquired by the taxpayer after
 8 December 31, 2011.

9 (e) In the case of trusts and estates, "taxable income" (as defined for
 10 trusts and estates in Section 641(b) of the Internal Revenue Code)
 11 adjusted as follows:

12 (1) Subtract income that is exempt from taxation under this article
 13 by the Constitution and statutes of the United States.

14 (2) Subtract an amount equal to the amount of a September 11
 15 terrorist attack settlement payment included in the federal
 16 adjusted gross income of the estate of a victim of the September
 17 11 terrorist attack or a trust to the extent the trust benefits a victim
 18 of the September 11 terrorist attack.

19 (3) Add or subtract the amount necessary to make the adjusted
 20 gross income of any taxpayer that owns property for which bonus
 21 depreciation was allowed in the current taxable year or in an
 22 earlier taxable year equal to the amount of adjusted gross income
 23 that would have been computed had an election not been made
 24 under Section 168(k) of the Internal Revenue Code to apply bonus
 25 depreciation to the property in the year that it was placed in
 26 service.

27 (4) Add an amount equal to any deduction allowed under Section
 28 172 of the Internal Revenue Code.

29 (5) Add or subtract the amount necessary to make the adjusted
 30 gross income of any taxpayer that placed Section 179 property (as
 31 defined in Section 179 of the Internal Revenue Code) in service
 32 in the current taxable year or in an earlier taxable year equal to
 33 the amount of adjusted gross income that would have been
 34 computed had an election for federal income tax purposes not
 35 been made for the year in which the property was placed in
 36 service to take deductions under Section 179 of the Internal
 37 Revenue Code in a total amount exceeding twenty-five thousand
 38 dollars (\$25,000).

39 (6) Add an amount equal to the amount that a taxpayer claimed as
 40 a deduction for domestic production activities for the taxable year
 41 under Section 199 of the Internal Revenue Code for federal
 42 income tax purposes.



(7) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the taxpayer's taxable income under the Internal Revenue Code.

(8) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

(9) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.

(10) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(11) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(12) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established



1 under the Federal Home Loan Mortgage Corporation Act (12
 2 U.S.C. 1451 et seq.);
 3 as an ordinary loss under Section 301 of the Emergency
 4 Economic Stabilization Act of 2008 in the current taxable year or
 5 in an earlier taxable year equal to the amount of adjusted gross
 6 income that would have been computed had the loss not been
 7 treated as an ordinary loss.
 8 (13) Add the amount excluded from gross income under Section
 9 108(a)(1)(e) of the Internal Revenue Code for the discharge of
 10 debt on a qualified principal residence.
 11 (14) This subdivision does not apply to payments made for
 12 services provided to a business that was enrolled and participated
 13 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 14 time the taxpayer conducted business in Indiana in the taxable
 15 year. For a taxable year beginning after June 30, 2011, add the
 16 amount of any trade or business deduction allowed under the
 17 Internal Revenue Code for wages, reimbursements, or other
 18 payments made for services provided in Indiana by an individual
 19 for services as an employee, if the individual was, during the
 20 period of service, prohibited from being hired as an employee
 21 under 8 U.S.C. 1324a.
 22 (15) Add the amount excluded from federal gross income under
 23 Section 103 of the Internal Revenue Code for interest received on
 24 an obligation of a state other than Indiana, or a political
 25 subdivision of such a state, that is acquired by the taxpayer after
 26 December 31, 2011.
 27 SECTION 2. IC 6-3-1-36 IS ADDED TO THE INDIANA CODE
 28 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
 29 JANUARY 1, 2015 (RETROACTIVE)]: **Sec. 36. "Indiana investment**
 30 **interest payment" means a payment of investment interest (as**
 31 **defined in Section 163(d) of the Internal Revenue Code) made with**
 32 **respect to tangible property held for investment in Indiana.**
 33 SECTION 3. **An emergency is declared for this act.**

